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FM AMCONSUL JERUSALEM
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8683
INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHBS/USEU BRUSSELS PRIORITY

UNCLAS SECTION 01 OF 02 JERUSALEM 001687

SIPDIS

SENSITIVE
SIPDIS

NEA FOR FRONT OFFICE; NEA/IPA FOR
GOLDBERGER/SHAMPAINE/BELRADE; PRM FOR PRM/ANE; NSC FOR
ABRAMS/SINGH/WATERS; TREASURY FOR
SZUBIN/LOEFFLER/NUGENT/HIRSON; BRUSSELS FOR LERNER; PLEASE
PASS TO USAID ANE

E.O. 12958: N/A

TAGS: ETRD ECON EAID KWBG KPAL PHUM IS
SUBJECT: GAZA PRIVATE SECTOR STRUGGLES; HUMANITARIAN NEEDS
ARE MET

REF: JERUSALEM 1455

¶11. (SBU) Summary: While food and other basic essentials continue to flow into Gaza, the Gaza private sector is being significantly impacted by the continued closure of the Karni/al-Mintar commercial crossing. Contacts report that 85 percent of industrial establishments have shut-down operations, at an estimated cost to the private sector of USD 35 million. Gaza's farmers have been forced to sell their produce locally, resulting in over supply in the market, low prices, and little profit. Local farmers have decided to cultivate only one-sixth of last year's farm land for next year's harvest. End summary.

Through-Put At Crossings
Limited Mostly To Food

¶12. (SBU) The Karni/al-Mintar commercial crossing has remained closed since June 12 to all shipments except grains and animal feed, which have averaged 60 truckloads per week. According to the August 14 report provided by the Palestine Trade Center (Paltrade), daily through-put in July at Sufa and Kerem Shalom crossings was 98 and 21 truckloads, respectively. Roughly 20 percent of all shipments into Gaza are humanitarian food stuffs delivered by UNRWA and the World Food Program (WFP), with the remaining 80 percent being commercial shipments of food and daily essential non-food items, such as soap and diapers. According to the WFP, Gazan mills are maintaining approximately an eleven-day stock of wheat flour. The same report notes that wheat prices were running approximately eleven percent higher than pre-June 12 prices.

¶13. (SBU) The Rafah crossing point has been closed since June 12. Erez crossing has been used for medical evacuation cases and limited pedestrian traffic. Nahal Oz fuel transfer station has been open and has continued to supply fuel to Gaza.

¶14. (SBU) UK colleagues, who have resumed routine trips into Gaza through Erez, report that food, fuel and medicine are entering Gaza in sufficient, albeit, lower quantities, and there are no serious shortages at present.

Economy Winding Down

¶ 15. (SBU) As a result of Karni/al-Mintar's closure, 85 percent of industry establishments have shut down, while the remaining companies have been operating at 50 percent capacity, according to the Palestinian Shippers' Council August 2007 trade report. The report estimated that, as of August 6, losses as a result of the closure have been USD 4 million in the furniture sector; USD 12 million in the textile sector; and USD 3 million in the processed food sector. The report states that 95 percent of construction projects in Gaza have been halted since June 12, as aggregates, concrete, and steel have not been imported (see ref). Roughly 70,000 industrial workers have been laid-off in Gaza since June 12, according to the report.

¶ 16. (U) Total losses for the Gaza private sector are now estimated at USD 35 million, according to the Shipper's Council report. The Association of Palestinian Businessmen predicted this week that 120,000 Gazans could eventually lose their jobs, if the closure continues.

¶ 17. (SBU) Gazan businessmen report that there are now more than 1000 containers of goods destined for Gaza that are stuck at Israeli ports and paying demurrage. Gazan importers complain that West Bank businesses are taking advantage of the situation by buying the goods at discounted prices from Gazans unwilling or unable to pay continued demurrage.

No Export Market For Gaza
Fruits, Vegetables, And Fish

¶ 18. (SBU) Palestinian Agribusiness Partnership Activity (PAPA) Gaza-based project manager Salem al-Raiz (protect) said that Gaza fruits and vegetables are selling at 40-60

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percent of pre-June 12 prices because products grown for international export have had to be sold inside Gaza. Al-Raiz stated that tomato prices in Gaza markets are 70 percent lower than pre-June 12 prices. According to the Shippers' Council report, Gaza's 5,000 farmers, whose businesses depend on imported fertilizers, pesticides, sterilization gas, seeds, seedlings, and packaging materials, have lost profit incentive and do not plan to cultivate their plots of land for next year's harvest. Al-Raiz said that last year Gaza farmers cultivated 3000 dunums; this year, however, only 500 dunums of land have been planted.

¶ 19. (SBU) The export freeze has resulted in an over-supply of fresh fish in Gaza markets and, subsequently, lowered prices and profits. According to WFP's Campbell, the fishing sector experienced estimated daily losses of USD 32,000 from June 12-August 6 due to the closure of Karni/al-Mintar crossing. PAPA's al-Raiz said that fish prices are 30 percent less than previous years.

This Isn't The Sudan

¶ 110. (SBU) OCHA Gaza representative Hamada al-Bayari told econoff August 13 that Gazans are receiving sufficient amounts of basic food items, but that economic activity will continue to stagnate with the closure of Karni/al-Mintar. However, he cautioned against comparing Gaza to the "poorest parts of Africa" and noted that Gazans compare their standard of living first and foremost to their brethren in the West Bank.

WALLES